

# AGRICULTURAL OUTLOOK



## 2 Agricultural Economy

Rail Problems Disrupt Grain Shipments

*Jerry D. Norton & William J. Brennan*

## 7 Briefs

*Livestock, Dairy & Poultry:* Asia Crisis To Trim Prospects for U.S. Meat Exports

*Trade Policy:* Mexico Taxes U.S. High-fructose Corn Syrup

## 11 Commodity Spotlight

Good Weather Nets Abundant Citrus Crops in 1997/98

*Charles Plummer*

## 15 World Agriculture & Trade

World Hog Production: Constrained by Environmental Concerns?

*Mildred Haley, Elizabeth A. Jones, & Leland Southard*

## 20 Food & Marketing

Federal Milk Marketing Orders: Consolidation & Reform

*Richard P. Stillman*

## 24 Special Article

Argentina's Economic Reforms Expand Growth Potential for Agriculture

*John Wainio & Terri Raney*

## Statistical Indicators

- |    |                              |    |                                 |
|----|------------------------------|----|---------------------------------|
| 32 | Summary                      | 49 | World Agriculture               |
| 33 | U.S. & Foreign Economic Data | 50 | U.S. Agricultural Trade         |
| 35 | Farm Prices                  | 53 | Farm Income                     |
| 37 | Producer & Consumer Prices   | 58 | Food Expenditures               |
| 39 | Farm-Retail Price Spreads    | 58 | Transportation                  |
| 41 | Livestock & Products         | 59 | Indicators of Farm Productivity |
| 45 | Crops & Products             | 60 | Food Supply & Use               |

**Published** by the Economic Research Service, U.S. Department of Agriculture. Materials may be reprinted without permission.

**Contents** have been approved by the World Agricultural Outlook Board and the summary released February 20, 1998. Price and quantity forecasts for crops are based on the February 11 *World Agricultural Supply and Demand Estimates*.

**Subscriptions:** \$50 per year (\$100 to foreign address, including Canada). Order from ERS-NASS, 5285 Port Royal Rd., Springfield, VA 22161. Or call 1-800-999-6779 (U.S. and Canada—all other areas call 1-703-605-6220). Checks payable to ERS-NASS.

**The next issue** (AGO-250) is scheduled for mailing on April 6, 1998. If not delivered by April 24, call (202) 694-5123 (please have mailing label handy). The full text will also be distributed electronically; call (202) 694-5050 for further information. Current and back issues are available on the ERS Home Page on the Internet at [www.econ.ag.gov/](http://www.econ.ag.gov/)

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## Bumper Citrus . . . Rail Bottlenecks . . . Pork Production & Environmental Concerns . . . Meat Exports . . . Reforms in Argentina

### Good Weather Nets Abundant Citrus Crops in 1997/98

**Large U.S. citrus crops** will likely keep grower and retail prices for most citrus (fresh and processed) at or below 1996/97 levels well into the summer. U.S. orange production is forecast record-high at 14.3 million tons, up 12 percent from last year, due to favorable weather in Florida and California and expanded acreage in Florida. Despite large crops and significant stocks of frozen concentrated orange juice (FCOJ) in both the U.S. and Brazil, near-term futures contract prices for FCOJ on the New York Cotton Exchange have rebounded to 97 cents per pound solids in mid-February since bottoming out in October.

U.S. grapefruit producers also foresee another large crop this year, although nearly 6 percent below a year ago. Supplies remain abundant, and as a result, prices have dropped and grower revenues have shrunk. After several years of poor returns, the Florida grapefruit industry is now pondering supply control options.

### Rail Problems Disrupt Marketing Flows

**Rail congestion in the western U.S.** during the second half of 1997 on the Union Pacific/Southern Pacific (UP/SP) and Burlington Northern Santa Fe (BNSF) lines snarled traffic and brought freight shipments in some areas to a complete halt. In the fourth quarter of 1997, grain carloadings dropped 6 percent on BNSF and 28 percent on UP/SP from a year earlier.

The 1997 western rail service problems, resulting from the inability of the largest grain hauling railroads to position and move their equipment, were substantially different from equipment shortages and service delays commonly referred to as "rail car shortages," which result from high demand. The crisis provides an example of the increased importance of an adequate grain handling and transportation infrastructure in an era when grain production and marketing decisions are driven by market signals, not government programs.



### World Hog Production Faces Environmental Constraints

**Exports of the major pork exporting countries** grew at an annual rate of 4 percent during 1989-97, and USDA's baseline projection indicates continuing growth in international pork trade into the next century. The extent to which the four leading pork exporting countries—the U.S., Canada, Denmark, and Taiwan—can meet forecast growth will be determined largely by the ability of their pork industries to expand.

An adequate land base for spreading manure residues is essential. With virtually insurmountable land constraints in small, densely populated Taiwan and Denmark, the U.S. and Canada with their relatively large land endowments had seemed the most likely to expand production. However, public demands for stricter governmental regulation may also constrain hog production in the U.S. and Canada. As a result, world pork prices could increase more sharply than expected as demand increases over time. Higher prices may stimulate further expansion of hog industries in countries like Mexico and Brazil with large land endowments, good feed supplies, and low levels of regulation.

### Asia Events Trim U.S. Meat Export Prospects

**Economic turmoil in Asia** is expected to trim U.S. meat export prospects in 1998. As Asian currencies depreciate and incomes fall, demand will contract in some key Asian markets and competition will increase from other countries whose currencies are also losing value against the U.S. dollar. At the same time, the relatively strong dollar is making the U.S. market more attractive to foreign meat exporters seeking alternatives to Asian markets. Due largely to declining sales to Japan and South Korea, U.S. beef and pork exports are likely to fall in 1998, and poultry exports will see slower growth. U.S. beef imports are expected to rise, as the decline in U.S. cow slaughter and a strong U.S. dollar enhance marketing opportunities for Australia and New Zealand, the leading exporters of processing beef.

### Reforms in Argentina Spur Agricultural Growth

**A combination of dramatic economic reforms** and strong price incentives in Argentina during this decade have set the country on course to reach its full agricultural production and trade potential. The reforms have reined in inflation, reduced or rescinded agricultural export taxes and input tariffs, and privatized much of the transport infrastructure, leading to lower marketing costs and greater investment. Argentine farmers were able in 1996/97 to respond to strong world crop prices with a substantial increase in harvested acreage and in use of inputs.

Extremely favorable weather is expected to put total grain production in 1997/98 at 36 million tons and total oilseed output at 23 million tons—both records. USDA's 1998 baseline projects modest growth in Argentina's grain and oilseed output during 1997/98-2007/08. Argentina's livestock sector has benefited less from the reforms than have the grain and oilseed sectors. But most observers expect a turnaround in 1998 as the cattle industry follows the crop sector in adopting new technology and improving management practices.